

Holes in the safety net:

The impact of the Universal Credit on working disabled people

Report 3

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Disability Rights UK



Background to the change

It has been recognised by successive governments that disabled people face extra costs in working that non disabled people do not experience. Some of the higher unavoidable expenses disabled people experience are outlined by our survey respondents below, with higher (accessible) transport cost being one of the most commonly cited issues. Disabled people also often work part time as a result of health conditions and/or impairments but even in full time work, they tend to earn less than their non disabled counterparts. To reflect the higher work costs and frequent part time work hours of disabled people, successive governments have built additional sources of support to ensure the benefits and tax credits system recognises disabled people's contribution and helps meet their unavoidably higher costs. This includes:

Disabled people working under 16 hours a week

People claiming Employment and Support Allowance (ESA) and who have been placed in either the work related activity group or support group can do permitted work for up to 16 hours a week and earn up to £97.50 and still receive ESA, full housing benefit and council tax benefit. They are usually only allowed to earn over £20 for up to one year as it is primarily seen as a stepping stone into more full time work though there are some people who can earn up to £97.50 indefinitely.

Disabled people working 16 hours or more

The disability element of working tax credit (WTC) is worth £54 a week and recognises that many disabled people have a reduced earning potential from being unable to work full time. Disabled people also frequently face extra costs which cannot be met by rigid, limited schemes like Access to Work.

116,000 households had the disability element of WTC included in their tax credit award in April 2012.

Access to Work

Disabled people and employers can use Access to Work to help with some in work costs. This can include software packages to ensure a disabled employee can use a workplace PC (eg using screen-reader technology), or help cover the costs of BSL interpreters for a deaf person. Frequently, the scheme covers transport costs for disabled employees unable to access public transport.

Access to Work supported 30,690 disabled people in the last financial year. This number has fallen since 2010 despite the scheme generating about £1.48 (from National Insurance contributions etc) for every £1 spent.

Disability Living Allowance (DLA)

When DLA was introduced in 1992 it was designed to support disabled people with higher living costs, including disabled people in work. DLA is paid to disabled people with mobility and/or care needs in or out of work. A disabled person in work may require greater levels of personal care and may incur more mobility costs than a non working disabled person.

We are not examining DLA changes in this report in detail¹. But there are over 1.8million disabled people 16-64 years of age receiving DLA and the Department for Work and Pensions (DWP) estimate that at least 9% of DLA recipients are in work, ie at least 162,000 people. Government DLA plans include axing eligibility for 23% (or 500,000) of the entire working age caseload under the DLA replacement benefit (Personal

¹ For an up to date account of Government plans in this area please see: <http://www.disabilityrightsuk.org/f60.htm>

Independence Payment; PIP) from 2013. It is very likely that many disabled people in work will lose some support. The government is targeting PIP at disabled people 'with the greatest needs' which may prevent DLA being accessed by disabled people in work.

Under Universal Credit

There will be no dividing line between people working under 16 hours and those working over 16 hours. This is very welcome as many disabled people would like to do some work paying more than £20 but are unable to work for 16 hours a week. Disabled people have found it very frustrating to only be permitted to work for a year before having to reduce working hours.

Under Universal Credit (UC) any person requiring additional support because of a health condition/impairment will have to take the work capability assessment (WCA)² even if working full time. They will then receive the appropriate component (support component or work related activity group component) in their maximum UC entitlement. Disabled people will keep this component in their maximum amount even if working full time – and will be eligible for the disability disregard. DWP briefings have suggested that the disability disregard is likely to be set at around £40 whereas a single non disabled person under UC is likely to receive a disregard of about £13. The extra £27 of disregard is worth about £18 to anyone who earns at least £40.³ These plans are welcome as they will tackle some of the long-standing disincentives to work which have prevented some disabled people being able to make a more significant contribution in employment.

There will, however, be no extra financial help within UC for disabled people who do not reach the required level of functional impairment in the WCA to be placed in the work related activity or the support group. There are widely reported problems in the WCA that result in thousands of disabled people not having needs identified in the assessment and being prevented from accessing appropriate support as a result. The design of the WCA also means that a wheelchair user who can self propel (a non motorised) wheelchair 50 metres would be found fully fit for work under the assessment and will not receive any more financial support than a non disabled person – despite all the higher costs and other (physical and attitudinal) barriers to participation. Under the current system, DLA would mean they would be entitled to the disability element of WTC.

The government has said its plans will simplify welfare, making the system easier to navigate for individuals. However, the approach being adopted is overly simplistic, ignores decades of evidence on the higher costs of living disabled people routinely experience, fails to capture the need to sustain and adequately support disabled people in work, and abandons the rationale behind the support that has been built around disabled people to ensure sufficient redress for lower earnings potential and societal barriers to work.

² The assessment process to determine whether someone is eligible for ESA and the group in which they should be placed

³ With a £40 disregard rather than £13 they keep an extra £27 before their UC starts to be reduced by 65% of their earnings so they keep an extra 65% of £27 = £18

Survey details

The three key questions we set out to examine in our study were:

- Is there evidence that additional in-work support for disabled people is needed (ie evidence that disabled people have extra costs of working not experienced by non disabled employees)?
- Does the evidence suggest the government plans will achieve their objectives?
- What is the likely impact of the government proposals on disabled people in work?

We also considered how plans might be mitigated if/once challenges were identified.

Demographics: the respondents

There were 737 responses to our survey questions on disabled adults in work.

689 were disabled people working full or part time either now or in the previous five years (94% of respondents).

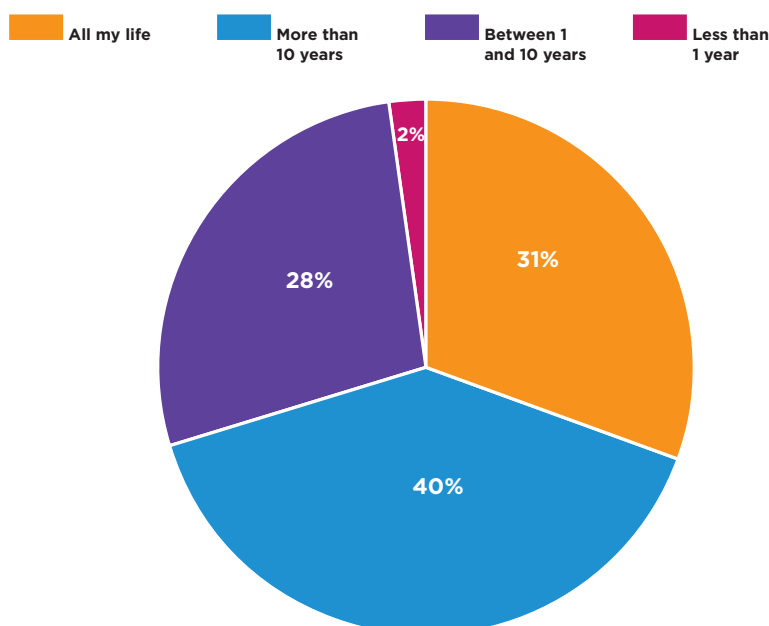
Of the disabled people either in work now or with recent experience of being in work, the majority had a physical impairment, with mental health problems being the second most common impairment. A small proportion had a learning disability/difficulties and some reported multiple health conditions/impairments.

Most disabled people develop their impairment/health condition(s) in adult life. We asked people 'how long have you been a disabled person' and respondents said (see figure 1):

- Whole life: 31%;
- Over a decade: 40%;
- 1-10 years: 28%;
- Under a year: 2%.

Figure 1: Length of time respondents said they had been disabled

N=689



The responses provide us with a significant sample of disabled people – and especially disabled people in work or with recent experience of working.

Main findings

Hours of work

Many disabled people choose to work part time to ensure health is well managed. But hours of work also affect current benefit rules for disabled people, with 16 hours a week being a tipping point affecting other support.

The introduction of the UC will mean many disabled people entering work are able to keep a larger proportion of earned income. This is very welcome.

But under the current framework, disabled people in employment told us they worked the following hours per week:

- Over 30 hours per week: 52%
- 16-29 hours per week: 33%
- 1-15 hours per week: 15%.

We asked people what were the most common factors involved in working less than 30 hours per week:

- 73% stated health/impairment prevents full time work
- 58% suggested that health would deteriorate if working longer hours per week
- 14% had family/caring responsibilities preventing full time work
- 6% stated they were seeking full time work
- 8% suggested discrimination prevented securing full time work
- 16% stated 'other' reasons prevented full time work. Disabled people suggested the most common 'other' issues were:
 - o Benefit rules
 - o Employer limitations
 - o Insufficient work being available (including for self-employed disabled people)
 - o Some disabled people were studying alongside working.

Some direct quotes from survey respondents about the reasons included:

'I would be unable to hold down a job that required me to work more hours due to exhaustion and fatigue making my condition worse.'

'I cannot imagine being able to function adequately whilst working full time, when I think about how difficult I find 20 hours of work a week. At the moment, I am treading water - to double my hours would sink me in a matter of weeks. Tax credits help me to look after my wellbeing, and I am confident they have helped me stay employed for the past 3 1/2 years.'

'I do find it difficult working full time, particularly with the number of hospital, clinic and Doctors visits I have to make. Organising them to try to fit in with work is not easy and some of my colleagues are not overly kind about the times I am not here due to these, despite me taking very little time off actually sick.'

'It's very tiring and I cannot compete in the workplace with younger and more agile colleagues. I also have a school age dependent child, and the childcare costs are astronomical.'

'I have a transfusion that keeps me alive once per week every week that takes up a whole day and makes me feel unwell the day after.'

'I cannot work full time as my energy levels are too low. For the last 5 years I have worked Mon/Tues and Thurs/Fri only, which gives me Wednesdays off in the middle

of the week to rest and recover... However, being able to go to work is helpful, as it gives a structure to my week and helps me to feel useful, and I am very grateful that my employer is able to be flexible at this time... I do not know what my long term employment prospects will be... I rely on the Disability element of Working Tax Credit...'

'I get very tired because of my medication so I need to start late and finish early.'

In work support

We asked disabled people about the main in work support received. The primary areas covered were DLA, ESA, Working Tax Credits, and Access to Work.

Use of DLA to support disabled people in work

DLA is sometimes misunderstood as an out of work benefit for disabled people. But DLA has been paid since 1992 to help disabled people with routine but essential higher costs of living. The evidence base for disabled people's routinely higher costs of living is strong⁴.

DLA supports many disabled people in work. DWP estimates at least 9% of all DLA recipients are in work⁵ but this is based on research which did not include people working under 16 hours per week. When part time work is included, the percentage in work is likely to be higher. In a 2011 Disability Alliance survey, 27% of respondents receiving DLA were working full or part time⁶. There are over 1.8 million disabled people of working age receiving DLA which would equate to at least 162,000 working more than 16 hours per week using the lowest estimate.

We asked disabled people in work about DLA and of respondents:

- 78% were receiving DLA
- 5% had applied for DLA but were rejected
- 3% were awaiting a decision on a DLA application
- 14% had not applied for DLA
- 1% were unsure.

DLA provides support for disabled people with 'mobility' and/or 'care' needs. There are two levels of mobility payments and three levels of care payments. People can receive both care and mobility payments and the total support per week is worth up to £131.50 to help manage higher costs of living.

We asked what DLA rates disabled people in work received. The higher the payment the greater the care and mobility needs are deemed to be:

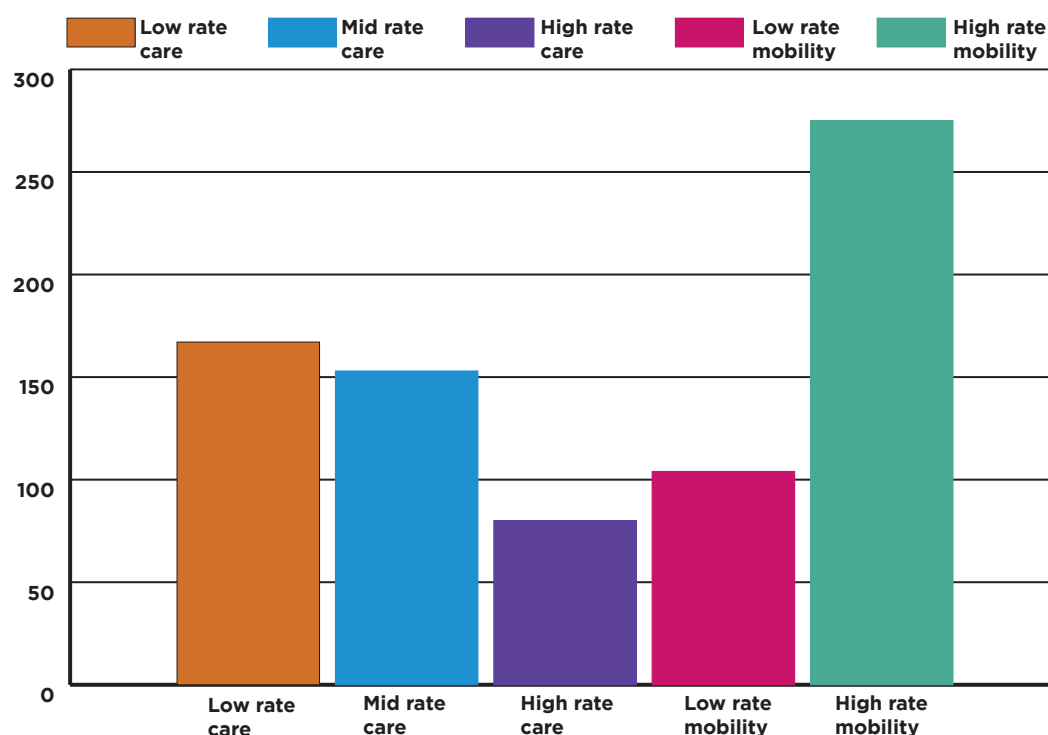
- 35% received low rate care payments
- 33% received middle rate care
- 17% received high rate care
- 22% received low rate mobility payments
- 59% received high rate mobility.

⁴ For examples, see DWP international research on the issue online at: <http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep542.pdf>

⁵ The DWP figure is based largely on full time work however, so the percentage of working age DLA recipients in work is likely to be higher when part time employment is taken into account. It is also unclear if DWP figures include everyone receiving DLA (ie under 16s and over 65s) which could increase the percentage in work further.

⁶

Figure 2: Number of respondents receiving the different rates of disability allowance



Under DLA proposals the government is abolishing low rate care payments. PIP will have just two levels of similar support (renamed ‘Daily Living’) which are expected to reflect DLA middle and higher care rates. There are currently more than 650,000 disabled people of working age receiving low rate care payments and the 35% of respondents to our survey will face a tough new assessment for PIP and could lose help – including the people using DLA to help towards in work costs.

Employment and Support Allowance (ESA)

We examined some other sources of in work support accessed by disabled people, including ESA. Many disabled people may not be using other support but respondents highlighted:

ESA - support group	10%
ESA - work related activity group	13%
ESA - awaiting decision	3%
Incapacity benefit	14%
Income support	6%
Jobseeker’s allowance	6%
Statutory sick pay	5%
Not sure	20%
Other	28%

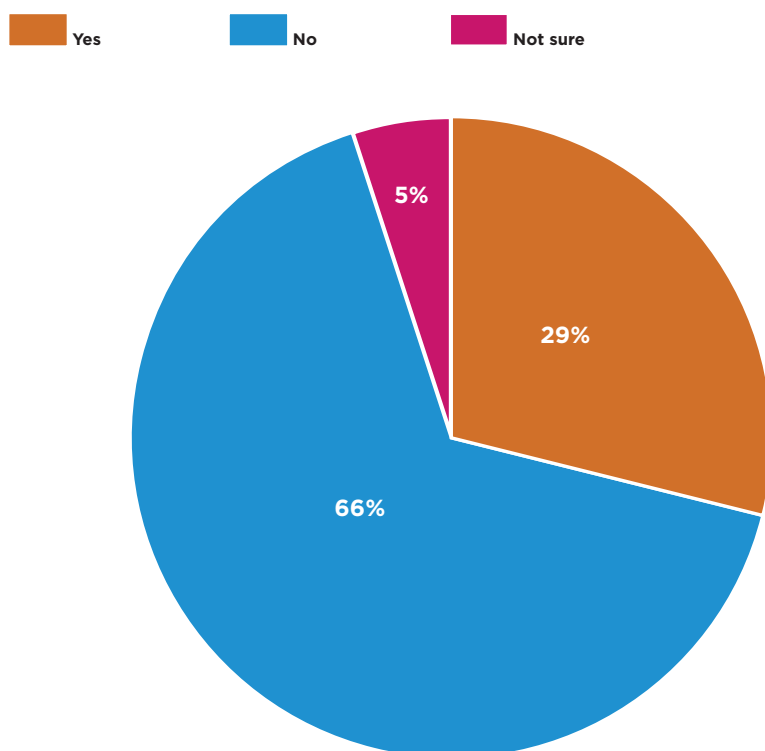
One in four highlighted ESA as a source of financial help in work. The most common support cited under 'other' was tax credits.

Working Tax Credits (WTC)

We also asked respondents if they received the disability element of working tax credits (see figure 3):

- 29% did
- 66% did not
- 5% were unsure.

Figure 3: Percentage of respondents in receipt of the disability element of working tax credits



It is disappointing that many disabled people appear to have missed out on some additional help available under the current system. WTC could have supported more disabled people into work, or to retain employment, if awareness was higher.

Access to Work

We found a similar result when we asked if disabled people were supported by Access to Work. The Access to Work scheme helps disabled people and employers with some costs of recruiting and/or retaining a disabled employee⁷. The scheme is a net contributor to the Treasury; for every pound spent supporting disabled people in work, Access to Work returns £1.48 in National Insurance contributions and Income Tax to the Treasury.

Disability Rights UK and other organisations are campaigning for greater awareness of the scheme and more resources to ensure the initiative supports more disabled people into mainstream employment. But in the last two years the number of disabled people supported by Access to Work has fallen⁸ – and new applications are also dropping dramatically, despite additional pressures on disabled people moving off incapacity benefits to take up work, and on employers in a tough economic climate.

New rules on use of the scheme have denied access to help to disabled people working for central government departments and larger employers have also been issued prohibitive guidance on what Access to Work is now permitted to help provide.

Sadly, our respondents reflected the lack of awareness of the scheme. Of respondents just over one in five (22%) received support from Access to Work but the rest (78%) were not using this support.

Whilst awareness of the scheme is low, some respondents were aware of Access to Work but had little confidence in the scheme;

‘(Access to Work is) not worth the additional time and effort.’

Others were aware of Access to Work but unfamiliar with what the scheme can support:

‘..I didn’t know you could claim travel in work.....’

The in-work penalty: disabled people’s higher costs of being in work

Disabled people experience higher routine costs of living. Disabled people earn less in work than non-disabled colleagues⁹, but can also experience additional expenses because of work not experienced by non-disabled colleagues – including costs for accessible transport and additional equipment or replacing aids more regularly due to increased use (compared with being out of work).

Governments have recognised the additional costs through extra support for disabled people – including through tax credits, Access to Work and DLA. But much of this support is being reduced (tax credits), abolished (DLA for working age disabled people) or is diminishing in reach (eg Access to Work).

The UC will specifically reduce in work support by £40 per week for up to 116,000 households and represents a significant penalty to disabled people contributing in work.

7 Further information on Access to Work is available at: http://www.direct.gov.uk/en/DisabledPeople/Employmentsupport/WorkSchemesAndProgrammes/DG_4000347

8 For the latest figures see: <http://statistics.dwp.gov.uk/asd/workingage/atw/atw0712.pdf>

9 Estimated to be about 7%; see: http://www.equalityhumanrights.com/uploaded_files/Wales/employment_fact_sheet.doc

Examples of higher costs of working

We asked our survey respondents to list some of the additional in-work costs they experienced compared with non-disabled colleagues. Responses included:

'I have to buy special clothes that I can release quickly when I need the toilet so that my hands don't get stuck undoing buttons... Incontinence pads when I can't bend to go to the toilet myself. Wipes and special toilet wiping aids when I am at work.'

'I go to an Osteopath every 6 weeks to be manipulated enabling me to continue to work. This has been ongoing since 1996. I attend every 6 weeks at £32 per session.'

'Lightweight wheelchair approx cost £2,500 regular maintenance / repair costs £100 two or three times a year.'

'my own car ... because of being virtually unable to walk, I have brought my own wheelchair ... I pay for physiotherapy to prevent my condition deteriorating further... I pay for special shoes as I wear through them so quickly due to my gait.'

'Knee brace £320'

'prescription charges, medication needed to help with concentration etc to enable me to do my job effectively.'

'additional compression sleeves as they have to be clean and presentable for work, the NHS only issue 2 every 6 months.... MLD physiotherapy course every 18 months or so when my arm swells and becomes painful from working, approx cost £1500 - ongoing cost.'

'pay for nearest parking as none provided at work, is also the most expensive parking at £14 a day.'

We also asked disabled people to average out the additional costs on a per week basis. We split the question into employment-based costs (including travel and transport), additional costs at home and costs unmet by Access to Work.

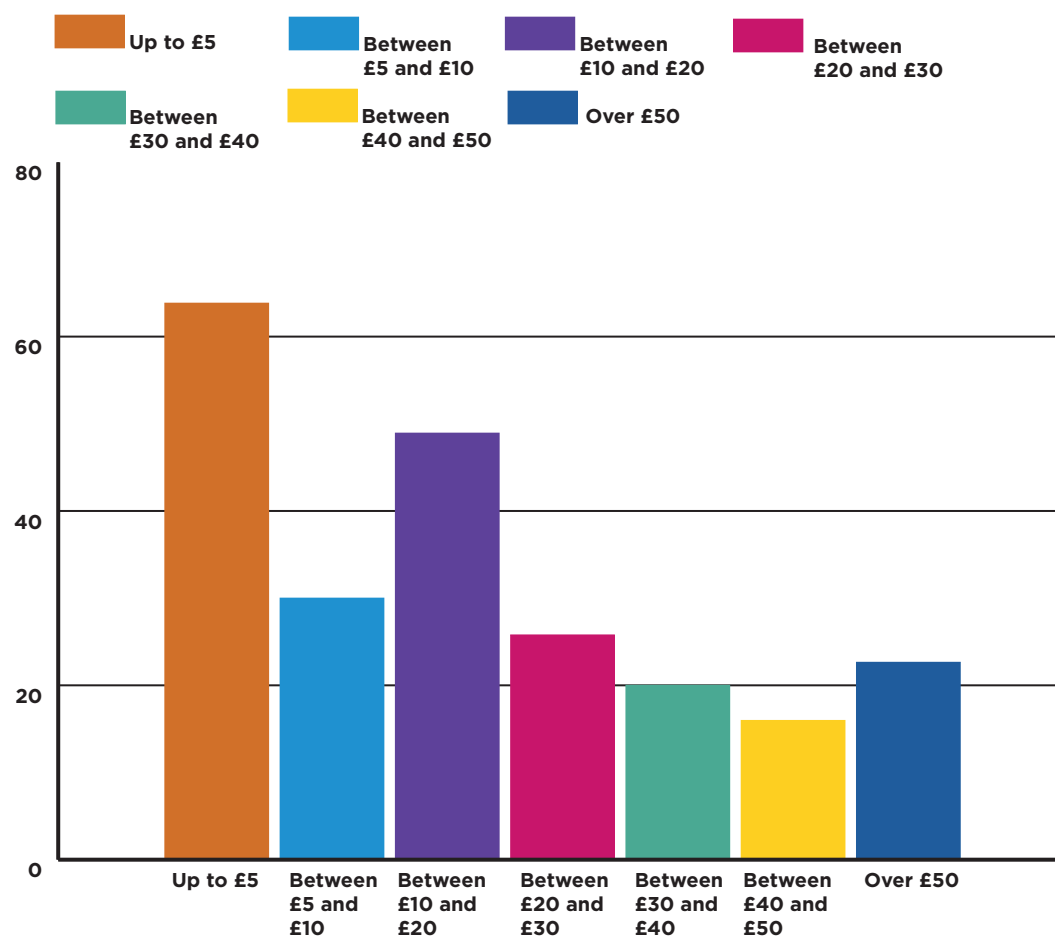
The results demonstrate the in-work 'penalty' that makes employment a tough option for some disabled people, especially given the impact of health conditions/ impairments, the increased likelihood of working part time, the lower earnings and other routinely higher (but essential) living costs.

Many in-work essential aids and adaptations are paid for by disabled employees. The vast majority of our survey respondents were not using Access to Work to help cover such costs. We asked disabled people what they were paying on average per week to ensure workplaces were accessible and employment sustainable. Of respondents:

- 27% were paying up to £5 per week (£260 per year)
- 15% were paying between £5 and £10 per week
- 21% were paying between £10 and £20 per week
- 12% were paying between £20 and £30 per week
- 9% were paying between £30 and £40 per week
- 7% were paying between £40 and £50 per week
- 10% were paying over £50 per week.

This means almost one in 10 disabled workers subsidise being in work by over £2600 every year. A further one in five pay between £520 and £1040 a year and another quarter pay up to £260 a year to ensure they retain their own job.

Figure 4: The extra amount spent on average per week on adaptation and aids



Additional costs specified by respondents included:

- Inaccessible public transport and the higher costs of using taxis (especially wheelchair-accessible cabs and drivers for Blind people)
- Having to cover part of taxi fees (not covered by Access to Work)
- Fuel for increased private vehicle use
- Wheelchair maintenance
- Deliveries (eg for people who could not access supermarkets)
- Bus fares (including for people with Freedom Passes which cannot be used for peak time travel despite needing to be at work for 9am).

Some people highlighted no additional costs – and this included disabled people who were able to work from home. Lower costs were also mentioned by disabled people working flexible hours and avoiding peak travel costs.

Limitations of Access to Work

We believe Access to Work can be an effective means of supporting disabled people in work. But it needs improving, is a 'well kept secret' and does not always meet the full costs of support. We asked people using Access to Work to tell us the level of spending on in-work equipment that Access to Work did not cover (weekly):

Up to £5	18%
Between £5 and £10	11%
Between £10 and £20	27%
Between £20 and £30	19%
Over £30	25%

A quarter of disabled respondents in employment and using Access to Work experienced costs over £30 per week unmet by the scheme but essential to retaining their job. This is an in-work fee of £1560 per year.

Some of these costs are met under the existing system through tax credits but the UC plans risk exposing many working disabled people to in work financial penalties that could disincentivise staying in employment. This would be an unfortunate and unintended policy outcome and needs urgent attention.

We specifically asked disabled people about transport costs not met by Access to Work. The extra employment-related travel costs, unmet by Access to Work included the following average payments:

Up to £5	20%
Between £5 and £10	12%
Between £10 and £20	26%
Between £20 and £30	18%
Over £30	24%

An additional in-work cost of £30 per week for travel would equate to £1560 a year.

Access to Work must be radically improved to ensure costs of accessible transport are met – or the public transport infrastructure is overhauled to ensure accessibility for all to ensure a level playing field in competition for work and to remove disabled employees' additional penalty for working.

Higher home costs of disabled people in work

We asked disabled respondents in work if they experienced higher costs around the home as a result of being in employment. Some of the key areas of higher costs cited by respondents included:

- Additional childcare
- The need to pay for home deliveries
- Home help (including cleaning and gardening which many disabled people could not undertake personally)

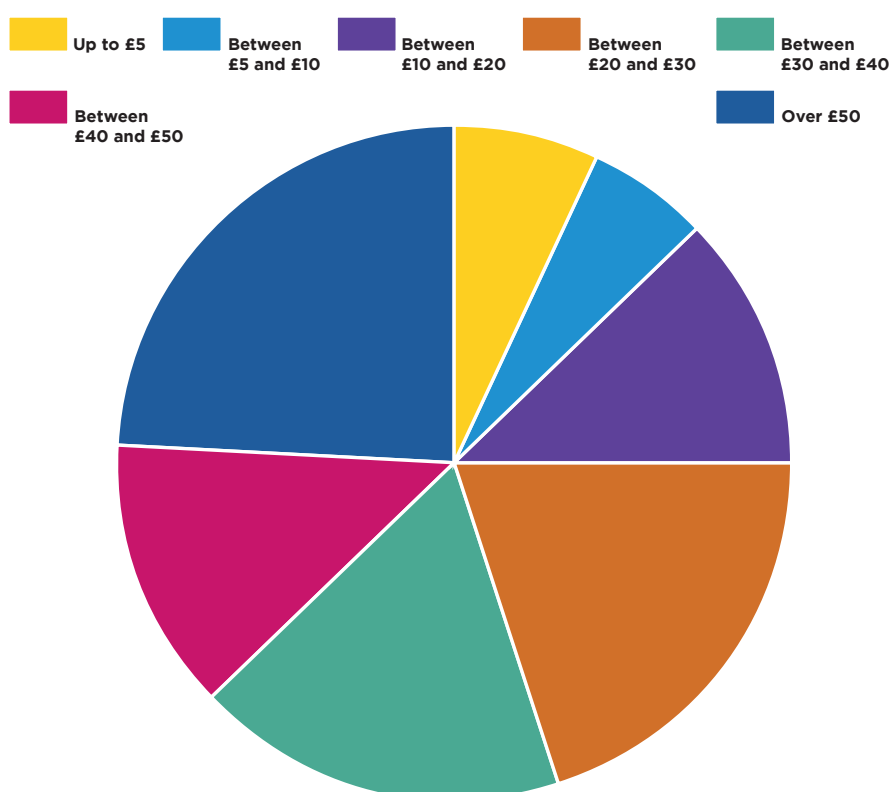
- Dietary costs – and buying pre-packaged food due to dexterity issues
- Dog food (for assistance dogs)
- Payments for Personal Assistants and carers
- Ironing (clothes for work) and laundrette costs
- Physiotherapy fees (unmet by NHS)
- Electricity to manage heating/stair-lifts/additional clothes washing
- Taxis for shopping (eg for disabled people using Access to Work which would not cover this ‘home’ need).

Respondents told us they were paying, on average, the following amounts per week:

Up to £5	7%
Between £5 and £10	6%
Between £10 and £20	12%
Between £20 and £30	20%
Between £30 and £40	18%
Between £40 and £50	13%
Over £50	24%

This means almost a quarter of the disabled respondents in work had home costs of over £50 per week – or £2600 a year. This is a further in-work penalty that premiums and tax credits have helped disabled people manage but may soon be lost.

Figure 5: The weekly amount of extra money spent on respondent’s home life as a result of working



We also asked respondents to specify any other costs faced for being in work where there was a higher cost as a result of being a disabled person in work. Some of the examples included:

'Clothing is essential... Especially extra underwear ... and expensive clothes to work to enable me to get them off easily to go to the loo on my own.'

'I have to have my hair done - not fancy, just washed and brushed and styled plainly for work... It's not cheap.'

'Prescription charges.'

'Because of limp rapidly wear out shoes.'

'pay for private physio as I cannot take time off during the day. Travel to medical appointments costs more due to the additional distance... I also have to pay for redundancy insurance and life insurance to protect my salary in case my disability becomes worse and I am unable to work.'

'Shoes - extremely difficult to buy the right sort... £50-70 each pair... Compression stockings at £7.40 each prescription for 2 pairs, 4 times each year. Footsies to go with iro £60 each year; insert for shoe to manage shortened post-op leg £15 each x 8 a year.'

Total in work financial penalty

Some disabled people reported 'burying' additional sets of costs for transport, equipment and at home in routine expenditure despite, on average, lower earnings than non-disabled counterparts. The existing disability element of working tax credits has helped cover these additional costs but may now be lost.

The 'worst case scenario' group of disabled people who cover some costs alone, do not have all equipment or transport costs met by Access to Work and have additional costs at home as a result of being in employment the situation could mean:

- Over £50 a week in-work costs met by disabled employee
- Over £30 a week paid for above Access to Work transport contribution
- Over £30 a week paid for equipment beyond Access to Work help
- Over £50 a week higher home costs from being in work.

Whilst this would be an extreme example (and employers may meet some costs not covered through Access to Work) this would leave a cost of being in work of over £160 a week: £8320 per year.

The most common responses were of £5 per week contributions solely from disabled employees to their in work equipment costs, £10-£20 per week above Access to Work help for equipment, £10-£20 contributions above Access to Work help with transport costs and over £50 per week home costs from being in work. This would still leave an in-work financial fee of between £3900 and £4940 per year.

The existing system may not have met all these costs but has contributed to supporting disabled people to stay in work.

The prospect of losing further support under UC plans could mean many more disabled people being pushed into poverty – or forced out of employment as reflected in responses to our survey.

It is imperative that the government does not price disabled people out of work – or deny disabled people the means of retaining employment. But previous analysis by Disability Rights UK suggests DLA/PIP changes alone could mean over 25,000

disabled people leaving work¹⁰. It is our fear that UC plans may also generate similar disincentives or barriers to work. This is not the government's intention but regulations must enhance protection for disabled people in work and ensure access to employment is always available to disabled people and that work pays.

Impact of government proposals

Many disabled people in work look set to lose about £40 per week (£2,080 a year) in support under the UC plans. We asked disabled people what this would mean for them/their family:

I would fall into debt	48%
I would be forced to cut back on my personal expenditure	67%
It would make it harder for me to stay in work	54%
I would be less able to take part in social activities	63%
Other (please specify)	27%

Many disabled people in work are likely to have about £40 per week less in financial support when UC is introduced. Our survey indicated that this reduction in support is likely to have a significant impact. 54% of respondents said that this loss in support would make it harder to stay in work due to the higher costs outlined above and 48% said they would be likely to get into debt. A third of disabled people already live in poverty in the UK but even those in work face higher levels of poverty under current UC plans.

Disabled people who responded 'other' explained that further potential impacts included:

- Closing a business for self-employed disabled people
- Causing deterioration in health
- Making it harder to find work which covers costs of living
- Stating 'I could not afford to work'
- Cutting back on 'luxuries' (Sky TV cited), but people also suggested being forced to cut down on basics such as food, gas and electricity
- Reducing therapies (and prescriptions) which help manage health
- Generating isolation
- Making life unbearable was also a repetitive theme
- Losing home/moving home was also mentioned by many respondents.

¹⁰ See: <http://www.disabilityrightsuk.org/dlaimpactassessment.htm>

Some specific responses from disabled people included:

'My tax credits make it possible for me to work and worth doing so. Without them, I'm not sure I could continue working.'

'People don't understand how tough it is coping. I am starting to lick plates at home... I waste NO food... I worry about how I will heat the house next winter. I can't really afford to keep the phone connected so will need to review that... I boil a kettle twice a day for drinks (goes into flask to keep warm)... What more corners can I cut??? How much lower must I stoop??? I am no longer the same person... I just couldn't keep going any longer. PLEASE make THEM understand how tough life is.'

'we are living from hand to mouth now, any loss of income would mean bills would not be paid.'

'I couldn't afford to pay for the help that I now have and by not having this help my life would be totally unbearable.'

'At present there is nothing left at the end of the month... if I can't afford to get to work and be in work I would be rapidly in debt and could lose my house.'

'It would also have a serious affect on my health. The work I do, albeit negligible in wages, helps keep me occupied when I am alone, and makes me feel less useless. I am already a burden on my partner, and losing my DLA will destroy that illusion. I already have suicidal thoughts; I truly believe that stripping any more of my independence away will push me over the edge.'

'If I have any cuts to my benefits I cannot afford to work... My wage is low... without tax credits and DLA I would not be able to afford to work. I would leave my job if my benefit is cut because it would not be worth my while working.'

Case study: Olivia

Olivia cannot use one of her arms because of a condition which causes it to be swollen and painful, particularly on exertion. She receives the lower rate of the care component of DLA and also the disability element of WTC. She works part time and says that it would be impossible to work more hours because the pain levels would become too great to manage.

She buys ready meals to avoid the pain after work of any food preparation. She also pays for extra physiotherapy to help cope with the pain. She is only allowed two compression sleeves every six months from the NHS but has to buy extra – she needs about two a month when working as they quickly become stained and she needs to look smartly dressed. They cost between £25-£70 each.

These extra costs are a direct result of working with a condition which causes pain when not resting and she faces these in addition to normal costs of work (eg bus fare). She would be very likely to be found fully 'fit for work' and wants to work. The disability element of WTC allows her to work by helping to cover the extra costs of the compression sleeves. There is a real danger that under UC the costs of work will be too great because she will receive no more benefit than a non disabled person.

Conclusion and Recommendations

Conclusions on key questions

Reconsidering our key questions shows that disabled people do experience higher in-work costs than non disabled employees. The government's aim of simplification might be met, but it would be at the cost of disabled people's employment chances and ability to contribute in work. This undermines a central tenet of welfare reform: that work must always pay.

Disabled people's concerns about the impact of losing support have also been clearly highlighted by our respondents.

Our recommendations are focused on mitigating the worst excesses of losing support under the UC's introduction.

Recommendations

The evidence suggests that removing financial support for disabled people who face extra costs in work would not only cause hardship, but also risks being counterproductive, potentially preventing disabled people from being able to continue in work.

Whilst we believe that the current levels of support should be retained. We have identified a number of ways that the aims of UC could be achieved more effectively. Whilst there will still be people who lose out, these recommendations would better support the most disadvantaged than the current proposal.

1. Disability support in Universal Credit should be provided to working disabled people who are found to be fully 'fit for work'¹¹ but are at significant disadvantage in the workplace as a result of an impairment or health condition. Loss of in work financial support for many disabled people could severely affect their ability to move into and retain a job.

We are also concerned that the second paragraph of draft Regulation 37 limits the application of the work capability assessment (WCA) for many disabled people:

'(2) If the claimant has weekly earned income above [the relevant threshold] an assessment may only be carried out where the claimant is entitled to a disability living allowance (DLA) or a personal independence payment (PIP).'

This would restrict support for disabled people in work and could counteract the intention of ensuring work always pays. The following case studies are provided to demonstrate the issue:

Example 1: Stephen has rheumatoid arthritis. He lives with his partner and two children. He moves into fulltime work after previously receiving contributory ESA. He does not receive DLA or PIP. After being in work for 18 months he separates from his partner. He claims UC as his pay is relatively low and he is responsible for two children. However, since he does not receive DLA or PIP and his period of limited capability for work ended when he moved into work, he cannot be assessed under the WCA and therefore cannot get either the 'limited capability for work' (LCW) or the 'limited capability for work and work related activity' (LCWRA) element. But if Stephen left work the WCA could then be applied and one of the elements payable (after the assessment phase is complete) and would be better off if he finished his job (as long as he was found to have a limited capability for work in a new WCA).

¹¹ See appendix for more detail about the assessment process.

Example 2: Debbie has MS. She is a single parent with one child. She receives UC that includes a LCW element. She does not receive DLA or PIP. Her condition has improved with new medication and she takes on a fulltime job. Her period of limited capability for work is terminated, due to the improvement in condition. She continues to receive a lower amount of UC. Two years later, her condition deteriorates. She would like to stay in work but does not think she is eligible for PIP yet. She does think that she would satisfy the limited capability for work assessment and contacts the DWP. She is told that as she is no longer in a period of limited capability for work and is not entitled to DLA or PIP, the WCA cannot be applied as long as she remains in fulltime work. If she leaves her job and, after a new WCA is applied, is placed in the work-related activity group, the LCW element would be included once more.

Situations of this nature may be common. In November 2011 the number of working age claimants of ESA and incapacity benefits was almost 2.6 million. At the same time there were 1.8 million disabled people of working age receiving DLA. PIP will have higher thresholds than DLA with half a million fewer disabled people eligible for support. Hence it is highly probable that there will be several hundred thousand disabled people who will satisfy the assessment for limited capability for work but will not be entitled to either DLA or PIP. Such people will be faced with a UC cliff edge reduction in support as a result of fulltime work. Though this will not normally take effect immediately, but will be applied in circumstances like the above, it risks becoming a disincentive to maintaining fulltime work – and especially for disabled people with variable conditions.

We believe that, to avoid such cliff edges and meet the government aspiration of supporting disabled people to work fulltime where possible, the requirement for people to be entitled to DLA or PIP before the WCA can be applied if they are in (or moving into) fulltime work must be removed.

2. Although the focus of this report is Universal Credit it was also very clear from the evidence that other forms of support for disabled people in work could be improved.

The Access to Work scheme should be highlighted to all those currently receiving the disability element of WTC or DLA. Access to Work also needs improving in line with the 'Getting in, staying in and getting on' Sayce Review for DWP of employment support for disabled people¹². There should also be better advertising of current tax breaks for employers who take on long-term unemployed disabled people.

¹² See: <http://www.dwp.gov.uk/docs/sayce-report.pdf>

Concluding comments

Evidence suggests that the consequences of UC changes to support for disabled people in work are likely to cause severe hardship. In addition, they will not meet the government's aims of making work pay and protecting the most disadvantaged disabled people.

In the other reports from this inquiry, disabled people and their families warned that further cuts being introduced under UC plans to the child disability additions and to the SDP are likely to result in them struggling to pay for basic essentials such as food and heating. They are likely to create or increase debt and in some cases lead to families having to give up their home.

But most alarmingly for disabled people in work, despite the intention of UC to improve work incentives, evidence shows that UC changes could make it harder for disabled people to remain in work.

The government has stated that these UC changes are not money saving measures and proposed that any money saved will be invested in raising the level of support provided to the most disadvantaged disabled adults¹³.

Whilst the inquiry found no reason to doubt that these adults would benefit significantly from additional support, we believe it is inappropriate that this should be achieved through cuts in support to other disadvantaged disabled people, including those in work.

We also believe that the current levels of support should be retained, since these provide essential support for the most disadvantaged groups. However, we have made recommendations which fit easily within the structure of UC. Compared to the government's current proposals, this inquiry's recommendations would create a simpler system with improved work incentives and, most importantly, enable UC to better meet its aims of supporting those in the greatest need.

¹³ Those in the 'support group' for Employment and Support Allowance

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